

**COMMITTEE ON ACCOUNTS, ENROLLMENT  
AND REVENUE ADMINISTRATION**

**January 23, 2007**

**6:15 PM**

Chairman Pinard called the meeting to order.

The Clerk called the roll.

Present: Aldermen Pinard, Smith, DeVries, Long

Absent: Alderman Thibault

Chairman Pinard addressed Item 9 of the agenda:

9. Communication from Kevin Sheppard, Deputy Public Works Director, providing a Traffic Division complement as requested by the Committee.

On motion of Alderman DeVries, duly seconded by Alderman Smith, it was voted to discuss this item.

Alderman DeVries asked could you explain the request?

Kevin Sheppard, Deputy Public Works Director, responded sure. I believe at the last meeting the internal auditor presented his report of the Traffic Division, and from what I understand, the City Clerk reported back to us after that that this Committee requested a complement list for the Traffic Division. As part of his report, I believe he was recommending an additional traffic signal technician, which right now we have one single supervisor and two traffic signal technicians. His report was recommending a third traffic signal technician, so I think this Committee was just looking to see what the existing complement was at the Traffic Division.

On motion of Alderman Smith, duly seconded by Alderman Long, it was voted to accept the report.

Chairman Pinard addressed Item 3 of the agenda:

3. Communication from Claire Bouchard seeking an explanation to the recent changes in elderly exemptions.

Alderman Long asked, Mr. Cornell, would you be able to address this woman's concerns? It's in regard to the exemptions for the elderly, married and single.

David Cornell, Assessor, responded yes, I've been in communication with her, yes.

On motion of Alderman Long, duly seconded by Alderman Smith, it was voted to receive and file this item:

Chairman Pinard addressed Item 4 of the agenda:

4. Communication from the Board of Assessors submitting abatement and overlay account updates.

On motion of Alderman Smith, duly seconded by Alderman Long, it was voted to discuss this item.

Alderman Smith asked may I talk to Mr. Cornell please? I know, David, that we went over this with you somewhat but just for the viewers and so forth, I'm really interested in the number of abatements you have right now. I think it fluctuates from day to day, and if you think you have enough in the overlay account to cover the potential future abatements.

Mr. Cornell stated currently for '03 we still have four cases that represent about \$13.8 million. For '04 we have approximately forty-two cases, which is roughly \$109 million. For '05 there's 103 cases and that's about \$288 million. For '06, the time of this report, there was 168 cases filed. As of today, there was about 206 total cases filed.

Alderman Smith stated if you speculate, they can file for an abatement up to March first. Is that correct, of this current year?

Mr. Cornell responded that's correct.

Alderman Smith stated and speculation...how many do you think you're going to receive now coming in?

Mr. Cornell responded it's tough to speculate. We do know that, especially for the commercial properties, a lot of those properties come in right at the last minute. We're significantly under the numbers we experienced with the last reval in 2001. In 2001 we had a total of a little under 1,700 total appeals filed. So we're at a little over 200 now, but we do expect a fairly large push at the end; that's what we typically expect. But at this point in time we are significantly below the abatements that were filed in 2001.

Alderman DeVries stated I heard you address much of that except for Alderman Smith's question, the part of his first question, is the current overlay sufficient? Are you able to venture any projection as to whether the current amount of dollars put aside in the budget will cover the overlay expenses?

Mr. Cornell stated that is always a difficult question. Just because for '06, the funds we put in for '06, we still don't know the number of cases or the quality of the cases for '06, but probably more toward the end of March we'll have a much better feeling of the quality of cases and the number of cases for '06.

Alderman DeVries stated and the deadline's March first.

Mr. Cornell stated that's correct.

Alderman DeVries stated so sometime after March first you'll be able to give us an idea of how far off the mark we are?

Mr. Cornell stated after March first we should have a much better feel of at least our exposure for 2006.

Alderman DeVries stated that was a rather controversial piece when we were working on the budget, which is why we keep bringing attention back to that today to see how much of a liability that is for the City.

Mr. Cornell stated and also what makes it more difficult, for the 2006 cases, some of those cases may not make their way through either the BTLA or through Superior Court till probably '09 or possibly even 2010. As this list indicates, we still have four cases or \$13.8 million under appeal still from 2003. So it does take a while to work through some of these cases.

Alderman DeVries stated follow up to that comment, because I think the government accounting standards ask us to put the money aside in the year the liability is incurred. I remember this from our budget meetings, so even though we will not have to pay that out for many years in the future, we have to put the money aside on that this year. So it's still a liability incurred in this year.

Alderman Long stated, Dave, in 2001 you said there were 1,700 roughly.

Mr. Cornell stated a little under.

Alderman Long stated a little under 1,700? With the pace now, do you...is it that much of a push that we would get 1,300 between now and March?

Mr. Cornell stated we'd be surprised if we reached the 2001 numbers. We're actually pleasantly surprised right now that the number has only been a little over 200. So we do realize...there's about six weeks left, and we do realize, with the commercial properties, there's a big push at the end. Especially a lot of them are handled by tax reps, firms that tend to file at the last minute.

Alderman Long stated pretty much all your estimates were done during the budget cycle to come up with that abatement figure. Is that safe to say? Estimates of what you would need to put aside for possible abatements?

Mr. Cornell stated for each year we look at what we need, and then we look at the cases that we have exposure for, to see exactly where we are in the entire process.

Alderman DeVries stated we'll be reporting this out to the full Board, I would imagine, as a Committee report. I don't know if it's allowed. The City Clerk will correct me. But the information that you have given us as an addendum tonight, showing the actual number of cases, such as in 2003 and the dollar amount, is an additional piece to our report. And I'm just wondering if that can be added into the language sent to the full Board, because I think that's useful, historical references that the full Board should be privileged to as well as the Committee. Are you following me? You look bewildered.

Mr. Cornell stated you're just sending the spreadsheets attached to the memo?

Alderman DeVries stated I'm reading on the overlay balances, you indicated in 2003 you had four outstanding cases. That's not part of this report, but that's information that you gave us verbally?

Mr. Cornell stated no, it's in the spreadsheets. So if you look...let me get the exact page.

Alderman DeVries asked the full Board will get all of the spreadsheets or just the cover letter?

Matthew Normand, Deputy City Clerk stated we can certainly make sure that happens.

On motion of Alderman Smith, duly seconded by Alderman Long, it was voted to accept the report.

Chairman Pinard addressed Item 5 of the agenda:

5. Communication from Kevin Buckley, Independent City Auditor, submitting the status of current audits as follows:
  - a) Finance Department-Treasury;
  - b) EPD; and
  - c) future planned audits.

Kevin Buckley, Independent City Auditor, stated the audit report that I presented to you tonight is an internal control and compliance report of the City Treasury Department. The reason I did this audit was because in all the other audits I do, I rely on certain internal controls that happen in the Finance Department. The ones that happen with accounts payable, I test them all the way through every test, but the ones that happen with cash and revenue and accounts receivable, I've always just relied that Finance was doing everything that they're supposed to be doing, so I finally had to get over there and actually test my understanding of what they were doing. I ran sixty transactions through the system. I tested all their cash proofs, and did a number of other tests over there and everything was working as designed. There were some very minor problems that weren't even worth writing an observation. We discussed them and other than that there were no findings in the audit.

Alderman Smith stated Kevin, it says here the complement as of June 30, 2006, was thirteen regular employees, one part time. Do you know what the complement is right now in the Finance and Treasury?

Mr. Buckley stated I believe it's the same, isn't it? They have one less, full time.

Alderman DeVries stated maybe you can help explain the difference of what your audit entailed today versus years past because I'm looking at your final auditor's report on compliance on internal control and financial reporting and I guess I'm not understanding what you did differently this time, based on the comments you've given us within that report.

Mr. Buckley stated the audit reports that you've seen from me so far have been financial audits and a couple of performance audits. And a financial audit is

testing financial transactions for a number of different complete lists and they were posted correctly. A performance audit or a management audit is a different type. With a performance audit I am testing whether the things that the department is saying they are doing, that they're actually doing. And how efficient their operations are, how effective their programs are. That's the thing I'm testing in that type of audit. In this audit, the focus of the audit was mainly the controls in place to insure that all financial transactions are recorded properly. I'm not testing the underlying transaction as much as I'm testing the control to insure that the control system is working as designed and can keep to a relatively low level any errors or irregularities occurring.

Alderman DeVries stated follow-up to that question then: So, you're testing the controls. i.e. you're making sure the methodology actually works in practice.

Mr. Buckley stated right, that people who are supposed to be signing off on stuff are signing off, duties are segregated, that accounts are reconciled in a timely manner, things of that manner.

Alderman DeVries stated and the reason that you call out within your report that you aren't offering any opinions on compliance with government accounting standards or others because we have an external auditor that does that once every year.

Mr. Buckley stated on the financial part, correct. Normally when I do it I will test all the financial data and opine on the financial data, but it takes a lot longer and this one was going to take a long time just testing the controls and I had to get onto that because I have some other things that need to be done really quickly.

Alderman DeVries stated and Kevin, the reason I ask you a few additional questions on that is you probably noticed that we had another proposal to do some consolidation within the City, and I happen to have noticed within that that your position was brought back under the arm of others, at least that was my interpretation of the proposal. And I'm just trying to make sure I understand by separating you out so that you are reporting directly to the Mayor, rather than to Finance, what we have gained in...so that when that discussion comes up we can actively participate in it.

Mr. Buckley stated when I was in the Finance Department I wouldn't have been able to do this audit because I wasn't functionally independent. And that's what you gain by having me outside of the department.

Alderman DeVries stated I do have one final question, Mr. Chairman, and I'm on page four of the report. Hopefully, it's very simple. Within the Treasury, you're

reporting out revenues and expenditures? Can you tell me the expenditures? Is that something related to the sales?

Mr. Buckley responded no, those expenditures are almost entirely in the Treasury Department itself, or almost entirely personnel costs.

Alderman DeVries stated payroll. Thank you.

Alderman Smith stated Kevin, on revenues I noticed that you put down one-third is received from rooms and meals tax, one-third from the sale of the New Hampshire garage, but I don't see where the other third comes from in your report.

Mr. Buckley stated the other third is a whole bunch of different fees and interest and things like that.

On motion of Alderman DeVries, duly seconded by Alderman Smith, it was voted to accept the report.

Chairman Pinard addressed item 6 of the agenda:

6. Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements (unaudited) for the six months ended December 31, 2006 for FY2007.

Guy Belion, Financial Analyst II, stated what I have this month is pretty close to what we had last month. As for expenditures, we still have three departments that are maybe, on a prorated basis, a little higher than the others, which would include Information Systems, since they buy equipment for other departments and then later on get reimbursed; Building Maintenance, which again encumbers the whole contract up front for the year; and Elderly Services does the same thing for utilities. And another thing too that I just want to quickly go over is the Parking Enterprise Fund which so far, for the first six months, has \$1.64 million in expenditures and half of that consists of the new meters that have been installed. Half of this, which would be another \$800,000, would have been in the General Fund last year. The General Fund Traffic Department expenditures are that much less than they were last year. The revenues overall are pretty much where they should be, based on the adjusted revenue budget. If you look at page six, so far for the first six months, we've collected forty-two percent of the revenues, which is pretty much in line with what it was last year. This is pretty much all that I have at this point unless you have anything specific that you want to go over.

Alderman Long stated on page one, the Worker's Compensation, is that normal, being twenty-five percent above what should be unobligated?

Mr. Belion stated if you look at last year, I think it was similar to that too.

On motion of Alderman Smith, duly seconded by Alderman DeVries, it was voted to approve the statement.

Chairman Pinard addressed item 7 of the agenda:

7. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
  - a) department legend;
  - b) open invoice report over 90 days by fund;
  - c) open invoice report all invoices for interdepartmental billings only;
  - d) open invoice report all invoices due from the School Department only;
  - e) listing of invoices submitted to City Solicitor for legal determination; and
  - f) accounts receivable summary.

On motion of Alderman Smith, duly seconded by Alderman DeVries, it was voted to approve the report.

Chairman Pinard addressed item 8 of the agenda:

8. Communication from Sharon Wickens, Financial Analyst II, submitting the 2<sup>nd</sup> quarter FY2007 write off list for the accounts receivable module.

On motion of Alderman Long, duly seconded by Alderman DeVries, it was voted to approve the report.

There being no further business, on motion of Alderman DeVries, duly seconded by Alderman Smith, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee